

FUNDING SOURCES AND OPTIONS

Florida Department of Environmental Protection (FDEP) State Revolving Fund Loan Program – Wastewater and Stormwater

The State Revolving Fund Loan Program (SRF) provides low-interest loans for planning, designing, and constructing water pollution control facilities. Federal Capitalization Grants and State match appropriations of 20% have funded the SRF. It is a "revolving" fund because loan repayments are used to make additional loans. By federal law, the SRF is to be operated in perpetuity. The FDEP solicits project information each year. The information is used to establish project priorities for the following annual cycle. Funds are made available for Preconstruction Loans and Construction Loans. The loan terms include a 20-year amortization and low interest rates, which represent a 40% discount off bond rates.

Preconstruction loans are available to all communities and provide up-front disbursements for administrative services, project planning and project design.

Construction loans are also available to all communities and provide for construction costs and technical services during construction.

Approximately \$120M/yr is available. The current interest rate is 3.09%.

FDEP State Revolving Fund Loan Program – Drinking Water

The Drinking Water State Revolving Fund (SRF) Program provides low-interest loans for planning, designing, and constructing public water facilities. Federal Capitalization Grants and State match appropriations of 20% have funded the SRF. It is a "revolving" fund because loan repayments are used to make additional loans. By federal law, the SRF is to be operated in perpetuity. The Department solicits project information each year from January 1 to February 15. The information is used to establish the project priority list for the following annual cycle. Funds are made available for Preconstruction Loans to rate-based public water systems, Construction Loans of \$75,000 minimum or more, and Preconstruction Grants and Construction Grants to financially disadvantaged communities.

The loan terms include a 20-year (30-year for financially disadvantaged communities) amortization and low interest rates, which represent a 40% discount off bond rates. Small community assistance is available for communities having populations less than 10,000. Each year 15% of the funds are reserved exclusively for their use. In addition, small communities may qualify for loans from the unreserved 85% of the funds.

Approximately \$40M/yr is available. The current interest rate is 3.09%.

SFWMD Alternative Water Supply Grant Program

In 1995, the Florida Legislature enacted the Alternative Water Supply Grant Program to increase the potential for the development of alternative water supplies in the state and to help utilities develop cost-effective reclaimed water supplies.

The Program is a cost share program that provides a portion of funding for alternative water supply projects built by local, county, or private water purveyors. To be considered for the program, a project must be consistent with the local government plan and must be located in a Water Resource Caution Area. Funding support is limited to capital or infrastructure costs for alternative water supply systems.

The available funds vary annually as determined during the District's budget process.

SFWMD Water Resource Development Program

Water resource development projects are generally regional in nature and are primarily the responsibility of the District. Each water management district is required to include in its annual budget the amount needed for the fiscal year to implement water resource development projects as prioritized in its regional water supply plans.

The traditional source of funding has been ad valorem taxes. Projects are ranked and prioritized along with projects in all other regional water supply plans during annual District budget preparation and funded as money is available. Priority considerations for a project include availability of a cost-share partner and if a project makes 'new' water available. Sustainability of the regional system is also an important consideration.

State Funds - The new 'Governor's Program' – (Formerly WAP Grant Program)

The proposed budget provides \$35M to fund water resource restoration projects.

Projects eligible for the funding must address such criteria as resolving violations of state water quality standards, preventing drainage and flood control problems, resolving public health threats and protecting the environment. Financial capability of the local government is also a deciding factor.

The program includes grants covering wastewater, stormwater, surface water restoration and water management projects.

The WAP funding was applied for through the FDEP, which evaluated if the project met the program's criteria. There was no priority process and the legislature decided on awarding the funding (who and how much) subject to the Governor's veto.

Currently, funds are requested through a Community Budget Issue Request/Special Appropriation Process. The FDEP will review the request and make recommendations as to appropriateness of the project to the program.

Federal Funds – EPA State and Tribal Assistance Grants

The United States Environmental Protection Agency makes funds available for special water supply projects through its State and Tribal Assistance Grant (STAG) program.

The projects must be included in an appropriation bill passed by the Senate and House.

Approximately \$2M/yr per project in grant funds is typically available for projects the size of RIDS.

Local Funds – Developer Contributions/Impact Fees/User Fees (Rates)

Revenue derived from the collection of impact fees could be used to fund portions of the project. Additionally, requirements could be placed on developers to provide or construct portions of the system within particular developments reducing the total cost of the distribution system.

Revenue generated through rates is normally used for O&M costs.

Bonds

Issuance of bonds could provide for project funding; however, due to the costs of issuance, interest rates, coverage and other financial considerations, this would be a last resort option.

Funding Strategy

As depicted in the diagram below, it is recommended that the base funding for the RIDS project be the FDEP SRF program loans. The low interest rates (approximately 3.09%) and repayment terms (20 years) make them the most attractive form of overall financing.

The SRF program provides for the flexibility to draw funds only when needed and allows for application of grant funds when received. Unlike bond funds, there is no arbitrage or pre-payment penalties.

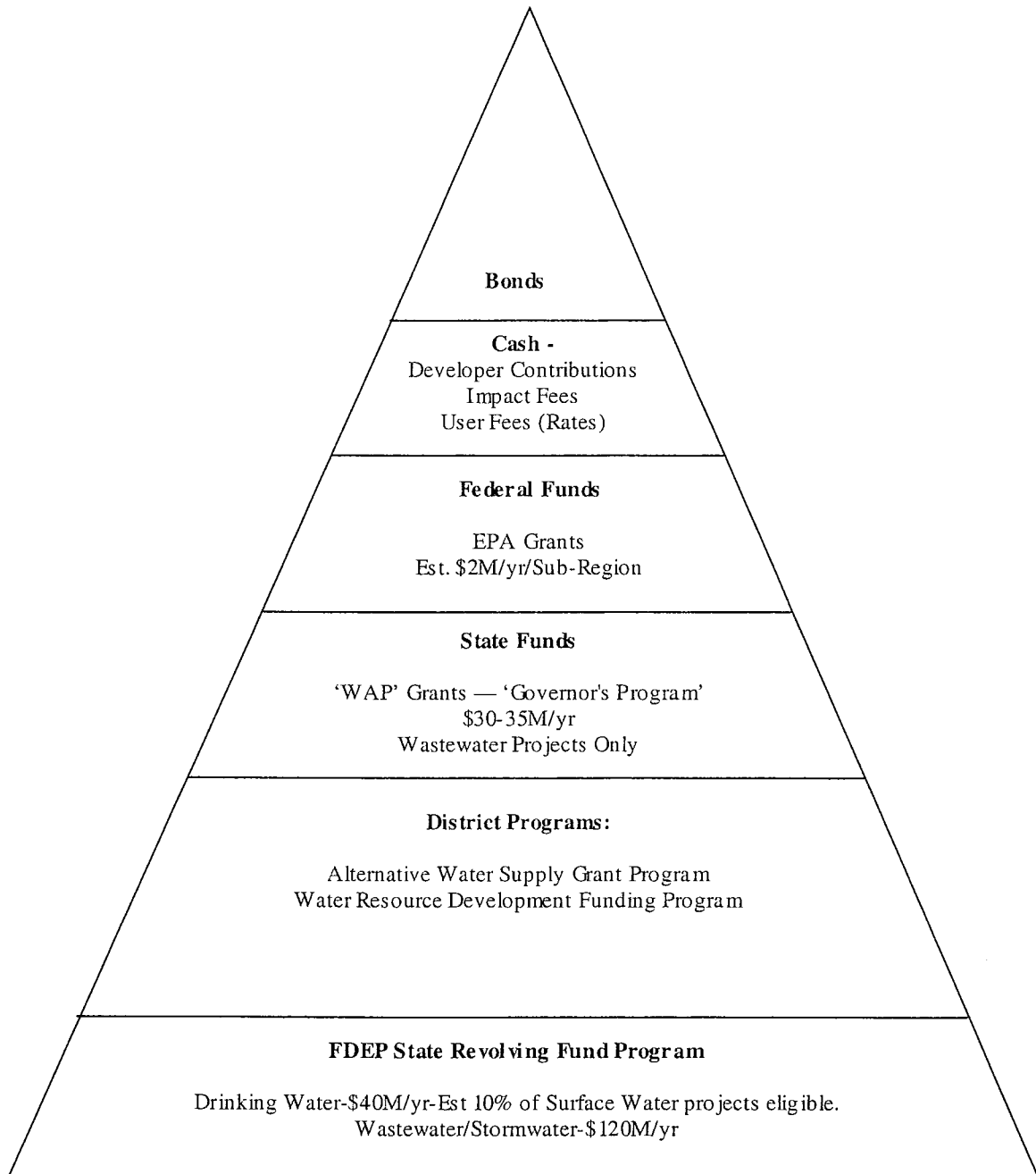
After this base funding is secured, it is recommended that district, state, and federal grant funds be sought and secured to negate the use of borrowed funds where possible.

A significant increase in the District's Water Management and Planning budget (vs. 2002) would be required to support further development of the program as well as dedication of revenues to provide grants for construction funding.

Cash reserves in the form of Developer Contributions and Impact Fees would be considered the third level of funding with bond proceeds considered the least attractive form of funding due to financing costs.

Figure 34

Funding Strategy



It is assumed that user fees (rates) will pay for Operating and Maintenance costs.

Project Timing and Phasing

It is assumed that the project would be phased to provide system resources based on need. Consideration should also be given to phasing of the service areas as individual areas' economics/demographics may allow them to better 'compete' for funding versus other areas or the total project as a whole.

Funding Next Steps

The next steps in the funding process should relate to defining the institutional framework in which the project will be built and operated; determining funding eligible activities; projecting the availability of funds over the schedule of the project; documenting the special conditions and requirements of the various funding programs; defining the limitations of and concerns about using the various programs; and estimating the end user impact of the financial plan.

It is imperative that all the participants benefit from the financial incentives resulting from grant and low interest loan funding to encourage full participation in the RIDS program.